

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Tri-County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Mark McCullough	President	2008
Kelly Tish	Vice President	2008
Lisa Sieren	Board Member	2006
Gary Bates	Board Member	2006
Justin Leer	Board Member	2007

Board of Education		
(After September 2006 Election)		
Kelly Tish	President	2008
Gary Bates	Vice President	2009
Lisa Sieren	Board Member	2009
Mark McCullough	Board Member	2008
Justin Leer	Board Member	2007

School Officials		
Bill Cox	Superintendent	2007
Rebecca Schmidt	District Secretary	2007
Joanne Bair	District Treasurer	2007
Richard Gaumer	District Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Tri-County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District, Thornburg, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2008 on our consideration of Tri-County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri-County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,911,323 in fiscal year 2006 to \$2,920,056 in fiscal year 2007, while General Fund expenditures increased from \$2,837,385 in fiscal 2006 to \$2,918,533 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$807,833 in fiscal 2006 to \$809,356 in fiscal 2007.
- Overall, the District net assets in the governmental activities increased by \$306,197, and the business-type activities increased by \$37,642, respectively.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tri-County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tri-County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tri-County Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tri-County Community School District Annual Financial Report

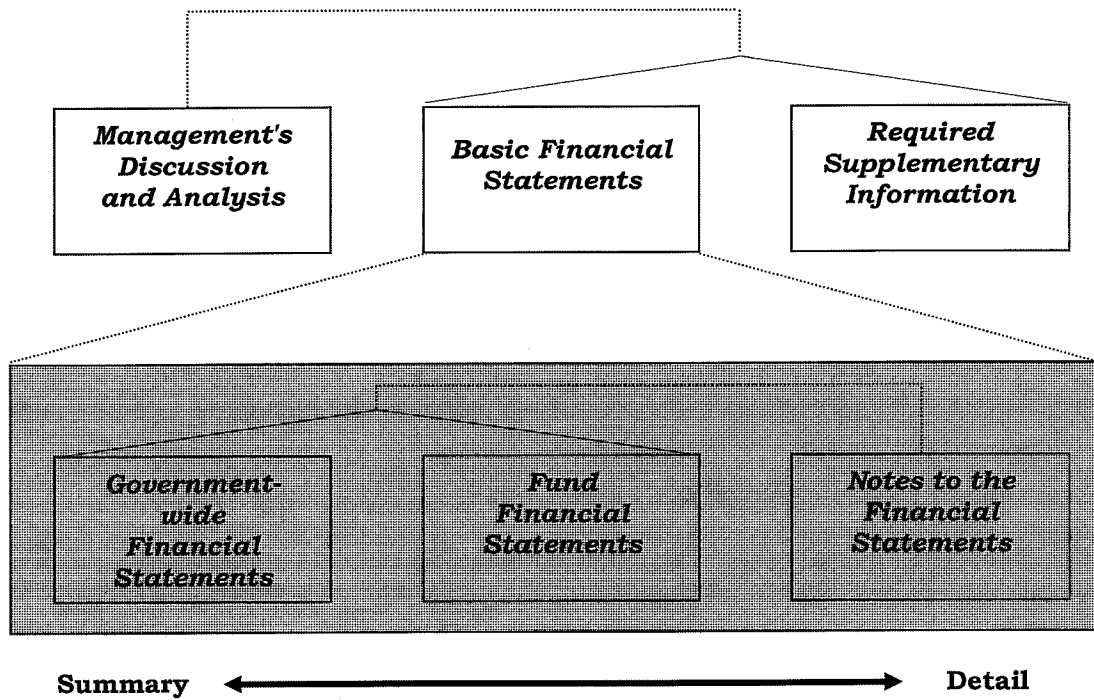


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 2,568,094	2,807,025	6,657	7,504	2,574,751	2,814,529	-8.52%
Capital assets	1,444,192	1,285,679	44,837	9,630	1,489,029	1,295,309	14.96%
Total assets	4,012,286	4,092,704	51,494	17,134	4,063,780	4,109,838	-1.12%
Long-term obligations	1,481,277	1,638,855	0	0	1,481,277	1,638,855	-9.62%
Other liabilities	1,164,887	1,393,924	1,444	4,726	1,166,331	1,398,650	-16.61%
Total liabilities	2,646,164	3,032,779	1,444	4,726	2,647,608	3,037,505	-12.84%
Net assets:							
Invested in capital assets, net of related debt	4,192	(97,033)	44,837	9,630	49,029	(87,403)	156.10%
Restricted	468,115	259,843	0	0	468,115	259,843	80.15%
Unrestricted	893,815	897,115	5,213	2,778	899,028	899,893	-0.10%
Total net assets	\$ 1,366,122	1,059,925	50,050	12,408	1,416,172	1,072,333	32.06%

The District's combined net assets increased by 32.06% over the prior year. The District's net assets, which are invested in capital assets (e.g., land, buildings and equipment), less the related debt, increased by 156.1%. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 80.15% over the prior year. The increase was primarily a result of the increase in the Capital Projects fund balance.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- remained approximately the same over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 307,160	274,064	73,680	76,815	380,840	350,879	8.54%
Operating grants and contributions and restricted interest	434,494	443,526	77,548	71,536	512,042	515,062	-0.59%
Capital grants and contributions and restricted interest	0	17,837	0	0	0	17,837	-100.00%
General revenues:							
Local tax	1,350,876	1,403,152	0	0	1,350,876	1,403,152	-3.73%
Local option sales and service tax	207,625	120,064	0	0	207,625	120,064	0.00%
Unrestricted state grants	1,272,011	1,275,078	0	0	1,272,011	1,275,078	-0.24%
Other	56,813	94,820	27	39	56,840	94,859	-40.08%
Transfers	(43,448)	0	43,448	0	0	0	0.00%
Total revenues	3,585,531	3,628,541	194,703	148,390	3,780,234	3,776,931	0.09%
Program expenses:							
Governmental activities:							
Instruction	2,128,078	2,013,421	0	0	2,128,078	2,013,421	5.69%
Support services	828,779	1,019,555	0	0	828,779	1,019,555	-18.71%
Non-instructional programs	19,554	20,641	157,061	148,337	176,615	168,978	4.52%
Other expenses	302,923	335,181	0	0	302,923	335,181	-9.62%
Total expenses	3,279,334	3,388,798	157,061	148,337	3,436,395	3,537,135	-2.85%
Change in net assets before capital contributions	306,197	239,743	37,642	53	343,839	239,796	43.39%
Capital contributions	0	0	0	1,844	0	1,844	-100.00%
Change in net assets	306,197	239,743	37,642	1,897	343,839	241,640	42.29%
Net assets beginning of year	1,059,925	820,182	12,408	10,511	1,072,333	830,693	29.09%
Net assets end of year	\$ 1,366,122	1,059,925	50,050	12,408	1,416,172	1,072,333	32.06%

In fiscal 2007, property tax and unrestricted state grants account for 73.2% of the revenue from governmental activities while charges for services and operating grants and contributions account for 77.7% of the revenue from business type activities.

The District's total revenues were approximately \$3.78 million of which \$3.59 million was for governmental activities and \$.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of less than 1% in revenues and a decrease of 2.85% in expenses. The decrease in expenses was related to a decrease in support service costs during the year.

Governmental Activities

Revenues for governmental activities were \$3,585,531 and expenses were \$3,279,334.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,128,078	2,013,421	5.69%	1,497,293	1,402,568	6.75%
Support services	828,779	1,019,555	-18.71%	828,779	1,019,555	-18.71%
Non-instructional	19,554	20,641	-5.27%	19,554	20,641	-5.27%
Other expenses	302,923	335,181	-9.62%	192,054	210,607	-8.81%
Totals	<u>\$ 3,279,334</u>	<u>3,388,798</u>	<u>-3.23%</u>	<u>2,537,680</u>	<u>2,653,371</u>	<u>-4.36%</u>

- The cost financed by users of the District's programs was \$307,160.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$434,494.
- The net cost of governmental activities was financed with \$1,350,876 in property tax, \$207,625 in local option sales and services tax, \$1,272,011 in unrestricted state grants and \$30,315 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$194,703 and expenses were \$157,061. The District's business-type activities include the School Nutrition Fund and Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Tri-County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,269,319, compared to last year's ending fund balances of \$1,279,645.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increase in state grants during the year, resulted in an increase in revenues. The increase in revenues was enough to offset the increase in expenditures to allow the fund balance to increase.

- With additional revenues in the Capital Projects fund, the fund balance was capable of increasing from \$176,460 to an ending balance of \$205,261.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$14,112 at June 30, 2006 to \$49,253 at June 30, 2007, representing an increase of 42.6%. The Child Care Fund net assets increased from a deficit balance of \$1,704 to a positive balance of \$797.

BUDGETARY HIGHLIGHTS

The District's revenues were \$150,677 less than budgeted revenues, a variance of 3.8%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$210,165.

The original cost of the District's capital assets was \$4,295,308. Governmental funds account for \$4,221,926 with the remainder of \$73,382 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$142,320 at June 30, 2006 compared to \$445,783 at June 30, 2007. This increase is due to the purchases made during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 23,205	23,205	0	0	23,205	23,205	0.00%
Buildings	964,171	1,078,846	0	0	964,171	1,078,846	-10.63%
Improvements other than buildings	55,870	50,938	0	0	55,870	50,938	9.68%
Machinery and equipment	400,946	132,690	44,837	9,630	445,783	142,320	213.23%
Total	\$ 1,444,192	1,285,679	44,837	9,630	1,489,029	1,295,309	14.96%

Long-Term Debt

At June 30, 2007, the District had \$1,481,277 in general obligation and other long-term debt outstanding. This represents a decrease of 9.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$1,440,000 at June 30, 2007.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$35,899, which is a decrease of 37.8% from the prior year.

The District also had compensated absences of \$5,378 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 1,440,000	1,575,000	-8.6%
Early retirement	35,899	57,698	-37.8%
Compensated absences	5,378	6,157	-12.7%
Totals	\$ 1,481,277	1,638,855	-9.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of the District passed the Local Option Sales and Services in 2004. This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beckie Schmidt, District Secretary and Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,113,300	3,349	1,116,649
Receivables:			
Property tax:			
Delinquent	24,679	0	24,679
Succeeding year	1,159,755	0	1,159,755
Income surtax	138,035	0	138,035
Due from other governments	132,325	0	132,325
Inventories	0	3,308	3,308
Capital assets, net of accumulated depreciation (Note 4)	1,444,192	44,837	1,489,029
Total Assets	4,012,286	51,494	4,063,780
Liabilities			
Accounts payable	985	0	985
Accrued interest payable	4,147	0	4,147
Deferred revenue:			
Succeeding year property tax	1,159,755	0	1,159,755
Unearned revenues	0	1,444	1,444
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	140,000	0	140,000
Early retirement payable	21,799	0	21,799
Compensated absences payable	5,378	0	5,378
Portion due after one year:			
General obligation bonds payable	1,300,000	0	1,300,000
Early retirement payable	14,100	0	14,100
Total Liabilities	2,646,164	1,444	2,647,608
Net Assets			
Invested in capital assets, net of related debt	4,192	44,837	49,029
Restricted for:			
Talented and gifted	4,482	0	4,482
Additional teacher contract day	1	0	1
Market factor	2,759	0	2,759
Capital projects	205,261	0	205,261
Debt service	20,685	0	20,685
Management levy	15,806	0	15,806
Physical plant and equipment levy	133,543	0	133,543
Other special revenue purposes	85,578	0	85,578
Unrestricted	893,815	5,213	899,028
Total Net Assets	\$ 1,366,122	50,050	1,416,172

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,264,807	64,643	305,646	(894,518)	0	(894,518)
Special instruction	485,136	7,101	17,979	(460,056)	0	(460,056)
Other instruction	378,135	235,416	0	(142,719)	0	(142,719)
	<u>2,128,078</u>	<u>307,160</u>	<u>323,625</u>	<u>(1,497,293)</u>	<u>0</u>	<u>(1,497,293)</u>
Support services:						
Student services	31,031	0	0	(31,031)	0	(31,031)
Instructional staff services	62,312	0	0	(62,312)	0	(62,312)
Administration services	326,652	0	0	(326,652)	0	(326,652)
Operation and maintenance of plant services	157,610	0	0	(157,610)	0	(157,610)
Transportation services	251,174	0	0	(251,174)	0	(251,174)
	<u>828,779</u>	<u>0</u>	<u>0</u>	<u>(828,779)</u>	<u>0</u>	<u>(828,779)</u>
Non-instructional programs:						
Community service operations	19,554	0	0	(19,554)	0	(19,554)
Other expenditures:						
Long-term debt interest	55,311	0	0	(55,311)	0	(55,311)
AEA flowthrough	110,869	0	110,869	0	0	0
Depreciation(unallocated)*	136,743	0	0	(136,743)	0	(136,743)
	<u>302,923</u>	<u>0</u>	<u>110,869</u>	<u>(192,054)</u>	<u>0</u>	<u>(192,054)</u>
Total governmental activities	3,279,334	307,160	434,494	(2,537,680)	0	(2,537,680)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	152,884	67,002	77,548	0	(8,334)	(8,334)
Child care	4,177	6,678	0	0	2,501	2,501
Total business-type activities	<u>157,061</u>	<u>73,680</u>	<u>77,548</u>	<u>0</u>	<u>(5,833)</u>	<u>(5,833)</u>
Total	<u>\$ 3,436,395</u>	<u>380,840</u>	<u>512,042</u>	<u>(2,537,680)</u>	<u>(5,833)</u>	<u>(2,543,513)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,178,677	0	1,178,677
Capital outlay				81,336	0	81,336
Debt service				90,863	0	90,863
Local option sales and services tax				207,625	0	207,625
Unrestricted state grants				1,272,011	0	1,272,011
Unrestricted investment earnings				30,315	27	30,342
Other				26,498	0	26,498
Transfers				<u>(43,448)</u>	<u>43,448</u>	<u>0</u>
Total general revenues and transfers				<u>2,843,877</u>	<u>43,475</u>	<u>2,887,352</u>
Changes in net assets				306,197	37,642	343,839
Net assets beginning of year				<u>1,059,925</u>	<u>12,408</u>	<u>1,072,333</u>
Net assets end of year				<u>\$ 1,366,122</u>	<u>50,050</u>	<u>1,416,172</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 749,211	114,880	249,209	1,113,300
Receivables:				
Property tax				
Delinquent	19,186	0	5,493	24,679
Succeeding year	876,241	0	283,514	1,159,755
Income surtax	101,226	0	36,809	138,035
Due from other governments	41,944	90,381	0	132,325
Total Assets	\$ 1,787,808	205,261	575,025	2,568,094
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 985	0	0	985
Deferred revenue:				
Succeeding year property tax	876,241	0	283,514	1,159,755
Income surtax	101,226	0	36,809	138,035
Total liabilities	978,452	0	320,323	1,298,775
Fund balances:				
Reserved for:				
Talented and gifted	4,482	0	0	4,482
Additional teacher contract day	1	0	0	1
Market factor	2,759	0	0	2,759
Debt service	0	0	20,685	20,685
Designated for cash flow	350,000	0	0	350,000
Unreserved	452,114	205,261	234,017	891,392
Total fund balances	809,356	205,261	254,702	1,269,319
Total Liabilities and Fund Balances	\$ 1,787,808	205,261	575,025	2,568,094

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 1,269,319
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,444,192
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	138,035
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,147)
Long-term liabilities, including general obligation bonds payable, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,481,277)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 1,366,122</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,048,505	207,625	302,371	1,558,501
Tuition	71,744	0	0	71,744
Other	93,302	2,000	196,927	292,229
State sources	1,579,975	0	0	1,579,975
Federal sources	126,530	0	0	126,530
Total revenues	2,920,056	209,625	499,298	3,628,979
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,249,660	0	23,466	1,273,126
Special instruction	485,136	0	0	485,136
Other instruction	183,046	0	195,089	378,135
	1,917,842	0	218,555	2,136,397
Support services:				
Student services	31,031	0	0	31,031
Instructional staff services	62,312	0	0	62,312
Administration services	323,994	0	0	323,994
Operation and maintenance of plant services	242,077	0	88,766	330,843
Transportation services	207,354	0	65,173	272,527
	866,768	0	153,939	1,020,707
Non-instruction:				
Community service operations	19,554	0	0	19,554
Other expenditures:				
Facilities acquisitions	0	80,824	76,711	157,535
Long-term debt:				
Principal	0	0	135,000	135,000
Interest and fiscal charges	0	0	55,743	55,743
AEA flowthrough	110,869	0	0	110,869
	110,869	80,824	267,454	459,147
Total expenditures	2,915,033	80,824	639,948	3,635,805
Excess(deficiency) of revenues over(under) expenditures	5,023	128,801	(140,650)	(6,826)
Other financing sources(uses):				
Transfer in	0	0	100,000	100,000
Transfer out	(3,500)	(100,000)	0	(103,500)
Total other financing sources(uses)	(3,500)	(100,000)	100,000	(3,500)
Net change in fund balances	1,523	28,801	(40,650)	(10,326)
Fund balance beginning of year	807,833	176,460	295,352	1,279,645
Fund balance end of year	\$ 809,356	205,261	254,702	1,269,319

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ (10,326)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of current depreciation and capital outlay expenditures in the current year, are as follows:

Capital outlays	\$ 363,937	
Depreciation expense	<u>(205,424)</u>	158,513

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 21,799	
Compensated absences	<u>779</u>	22,578

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 135,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Changes in net assets of governmental activities (page 14) \$ 306,197

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	School Nutrition	Child Care	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 2,552	797	3,349
Inventories	3,308	0	3,308
Capital assets, net of accumulated depreciation(Note 4)	44,837	0	44,837
Total Assets	50,697	797	51,494
Liabilities			
Unearned revenue	1,444	0	1,444
Net Assets			
Invested in capital assets	44,837	0	44,837
Unrestricted	4,416	797	5,213
Total Net Assets	\$ 49,253	797	50,050

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 67,002	6,678	73,680
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	59,478	3,019	62,497
Benefits	13,597	1,097	14,694
Services	714	0	714
Supplies	74,296	61	74,357
Depreciation	4,741	0	4,741
Other	58	0	58
TOTAL OPERATING EXPENSES	152,884	4,177	157,061
OPERATING INCOME (LOSS)	(85,882)	2,501	(83,381)
NON-OPERATING REVENUES:			
State sources	1,896	0	1,896
Federal sources	75,652	0	75,652
Interest income	27	0	27
TOTAL NON-OPERATING REVENUES	77,575	0	77,575
Income(loss) before other financing sources(uses)	(8,307)	2,501	(5,806)
Other financing sources(uses)			
Transfer in	3,500	0	3,500
Capital contributions	39,948	0	39,948
Total other financing sources	43,448	0	43,448
Changes in net assets	35,141	2,501	37,642
Net assets beginning of year	14,112	(1,704)	12,408
Net assets end of year	\$ 49,253	797	50,050

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 67,220	0	67,220
Cash received from miscellaneous operating activities	0	6,678	6,678
Cash payments to employees for services	(73,075)	(4,116)	(77,191)
Cash payments to suppliers for goods or services	(68,255)	(61)	(68,316)
Net cash provided by(used in) operating activities	(74,110)	2,501	(71,609)
Cash flows from non-capital financing activities:			
State grants received	1,896	0	1,896
Federal grants received	66,004	0	66,004
Net cash provided by non-capital financing activities	67,900	0	67,900
Cash flows from investing activities:			
Interest on investment	27	0	27
Net increase (decrease) in cash and cash equivalents	(6,183)	2,501	(3,682)
Cash and cash equivalents at beginning of year	8,735	(1,704)	7,031
Cash and cash equivalents at end of year	\$ 2,552	797	3,349
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (85,882)	2,501	(83,381)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	9,648	0	9,648
Depreciation	4,741	0	4,741
Increase in inventories	(2,835)	0	(2,835)
Increase in unearned revenue	218	0	218
Net cash provided by(used in) operating activities	\$ (74,110)	2,501	(71,609)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	\$ 2,552	797	3,349

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$9,648.

During the year ended June 30, 2007, the District received capital contributions valued at \$39,948.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 2,677</u>
Liabilities	
Due to other groups	<u>\$ 2,677</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Tri-County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Keswick, Gibson, Thornburg and What Cheer, Iowa, and the predominate agricultural territory in Iowa, Keokuk, Mahaska and Poweshiek County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tri-County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Tri-County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa, Keokuk, Mahaska and Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the School Nutrition Fund and the Child Care Fund. The Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for child care services.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	20 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase

agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

Type	Amortized Cost
Diversified portfolio	<u>\$ 426,993</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital projects	\$ 100,000
General	School Nutrition	3,500
		<u>\$ 103,500</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 53,508	39,948	20,074	73,382
Less accumulated depreciation	43,878	4,741	20,074	28,545
Business-type activities capital assets, net	<u>\$ 9,630</u>	<u>35,207</u>	<u>0</u>	<u>44,837</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,205	0	0	23,205
Total capital assets not being depreciated	23,205	0	0	23,205
Capital assets being depreciated:				
Buildings	3,070,368	17,730	0	3,088,098
Land improvements	183,474	9,270	0	192,744
Machinery and equipment	593,024	336,937	12,082	917,879
Total capital assets being depreciated	3,846,866	363,937	12,082	4,198,721
Less accumulated depreciation for:				
Buildings	1,991,522	132,405	0	2,123,927
Land improvements	132,536	4,338	0	136,874
Machinery and equipment	460,334	68,681	12,082	516,933
Total accumulated depreciation	2,584,392	205,424	12,082	2,777,734
Total capital assets being depreciated, net	1,262,474	158,513	0	1,420,987
Governmental activities capital assets, net	\$ 1,285,679	158,513	0	1,444,192

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular instruction	\$ 13,480
Support services:	
Administration	3,583
Operation and maintenance of plant	7,798
Transportation	43,820
	68,681
Unallocated depreciation	136,743
Total governmental activities depreciation expense	\$ 205,424
Business-type activities:	
Food services	\$ 4,741

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,575,000	0	135,000	1,440,000	140,000
Early retirement	57,698	0	21,799	35,899	21,799
Compensated absences	6,157	5,378	6,157	5,378	5,378
Total	\$ 1,638,855	5,378	162,956	1,481,277	167,177

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is subject to be approval by the Board of Education. Early retirement incentives are based on 100% of the difference between the BA Step 0 and the employee's position on the salary scale as of the start of the following school year. In addition, if the employee has more than 25 consecutive years, they will be entitled to an additional \$1,500 for five years. Early retirement benefits paid during the year ended June 30, 2007, totaled \$21,799. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2003			Bond Issue of September 1, 1996			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	2.50 %	\$ 50,000	45,084	5.20 %	\$ 90,000	4,680	\$ 140,000	49,764	189,764
2009	2.65	145,000	43,834	-	-	-	145,000	43,834	188,834
2010	3.00	150,000	39,990	-	-	-	150,000	39,990	189,990
2011	3.20	155,000	35,490	-	-	-	155,000	35,490	190,490
2012	3.30	155,000	30,530	-	-	-	155,000	30,530	185,530
2013	3.40	165,000	25,415	-	-	-	165,000	25,415	190,415
2014	3.60	170,000	19,805	-	-	-	170,000	19,805	189,805
2015	3.75	175,000	13,685	-	-	-	175,000	13,685	188,685
2016	3.85	185,000	7,122	-	-	-	185,000	7,122	192,122
Total		\$ 1,350,000	260,955		\$ 90,000	4,680	\$ 1,440,000	265,635	1,705,635

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$100,399, \$96,702 and \$99,982 respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$110,869 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,922,474	73,707	1,996,181	2,035,545	2,035,545	(39,364)
State sources	1,579,975	1,896	1,581,871	1,725,366	1,725,366	(143,495)
Federal sources	126,530	75,652	202,182	170,000	170,000	32,182
Total revenues	3,628,979	151,255	3,780,234	3,930,911	3,930,911	(150,677)
Expenditures:						
Instruction	2,136,397	0	2,136,397	3,153,161	3,153,161	1,016,764
Support services	1,020,707	0	1,020,707	1,148,600	1,148,600	127,893
Non-instructional programs	19,554	157,061	176,615	219,688	219,688	43,073
Other expenditures	459,147	0	459,147	851,249	851,249	392,102
Total expenditures	3,635,805	157,061	3,792,866	5,372,698	5,372,698	1,579,832
Excess(deficiency) of revenues over(under) expenditures	(6,826)	(5,806)	(12,632)	(1,441,787)	(1,441,787)	1,429,155
Other financing sources, net	(3,500)	43,448	39,948	0	0	39,948
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(10,326)	37,642	27,316	(1,441,787)	(1,441,787)	1,469,103
Balance beginning of year	1,279,645	12,408	1,292,053	1,188,711	1,188,711	103,342
Balance end of year	\$ 1,269,319	50,050	1,319,369	(253,076)	(253,076)	1,572,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 48,992	95,848	85,578	230,418	18,791	249,209
Receivables:						
Property tax:						
Current year delinquent	2,713	886	0	3,599	1,894	5,493
Succeeding year	150,000	43,351	0	193,351	90,163	283,514
Income surtax	0	36,809	0	36,809	0	36,809
Total Assets	\$ 201,705	176,894	85,578	464,177	110,848	575,025
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 150,000	43,351	0	193,351	90,163	283,514
Income surtax	0	36,809	0	36,809	0	36,809
	150,000	80,160	0	230,160	90,163	320,323
Fund balances:						
Reserved:						
Debt service	0	0	0	0	20,685	20,685
Unreserved	51,705	96,734	85,578	234,017	0	234,017
Total fund balances	51,705	96,734	85,578	234,017	20,685	254,702
Total Liabilities and Fund Balances	\$ 201,705	176,894	85,578	464,177	110,848	575,025

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 130,172	81,336	0	211,508	90,863	302,371
Other	1,052	2,119	193,598	196,769	158	196,927
TOTAL REVENUES	131,224	83,455	193,598	408,277	91,021	499,298
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	23,466	0	0	23,466	0	23,466
Other instruction	0	0	195,089	195,089	0	195,089
Support services:						
Operation and maintenance of plant services	88,766	0	0	88,766	0	88,766
Transportation services	0	65,173	0	65,173	0	65,173
Other expenditures:						
Facilities acquisitions	0	76,711	0	76,711	0	76,711
Long-term debt:						
Principal	0	0	0	0	135,000	135,000
Interest	0	0	0	0	55,743	55,743
TOTAL EXPENDITURES	112,232	141,884	195,089	449,205	190,743	639,948
Excess(deficiency) of revenues over(under) expenditures	18,992	(58,429)	(1,491)	(40,928)	(99,722)	(140,650)
OTHER FINANCING SOURCES:						
Transfer in	0	0	0	0	100,000	100,000
Net change in fund balances	18,992	(58,429)	(1,491)	(40,928)	278	(40,650)
FUND BALANCES BEGINNING OF YEAR	32,713	155,163	87,069	274,945	20,407	295,352
FUND BALANCES END OF YEAR	\$ 51,705	96,734	85,578	234,017	20,685	254,702

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 969	4,340	3,763	1,546
Inst/vocal trip	6,498	1,997	3,428	5,067
High school vocal fund	70	0	0	70
High school band	645	0	645	0
Future business leaders of America	173	0	0	173
Welcome baby	107	0	0	107
Athletic resale	11	4,352	3,320	1,043
Athletic non resale	(1,347)	38,569	30,705	6,517
Athletic improvement	0	39	39	0
Athletic clinics	0	95	95	0
Athletic gate receipts	10,847	34,518	44,847	518
Basketball	58	0	58	0
Football camp	189	0	189	0
P.C. fund	1,288	2,806	99	3,995
Athletic auction	129	0	129	0
Girls track	83	0	83	0
Cross country	413	0	413	0
Football	41	0	41	0
Baseball	531	0	531	0
Wrestling	0	639	441	198
Softball	623	0	623	0
Student interest	13,651	1,184	186	14,649
Student petty cash	25	0	0	25
Miscellaneous student resale	271	110	82	299
Home ec resale	239	335	357	217
Pop machine	1,551	0	1,551	0
Character counts	121	0	0	121
Student council	1,772	607	888	1,491
TAG	287	84	0	371
School pictures	84	0	84	0
Cheerleading	926	3,090	3,068	948
Dance squad	732	2,108	2,902	(62)
National honor society	196	321	248	269
Spanish club	1,137	0	0	1,137
Padlock resale	634	173	151	656
Stage curtain improvement	132	0	132	0
Athletics candy fundraiser	10,264	2,929	6,210	6,983
JH miscellaneous	1,669	0	156	1,513
Grad class fund	1,995	80	2,075	0
Annual 2006-07	(189)	9,578	7,233	2,156

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Class of 2008	1,014	5,166	4,361	1,819
Class of 2009	639	1,928	19	2,548
Class of 2010	80	447	80	447
Class of 2011	4,243	19,397	23,226	414
School insurance	222	0	222	0
Trojan annual	(516)	1,705	1,164	25
FFA	10,657	18,489	17,008	12,138
Horticulture	995	3,131	2,061	2,065
Activity tickets	468	0	468	0
Golf	628	0	628	0
Instrument resale	(202)	1,669	392	1,075
Vo Ag resale	111	55	154	12
Ind arts resale	42	112	154	0
Shop glasses	66	102	0	168
HS vending	1,910	0	1,910	0
Elementary wrestling	996	13,037	11,318	2,715
Elementary fund raisers	6,116	19,071	14,201	10,986
Elementary library books	196	963	0	1,159
Elementary vending machines	612	0	612	0
Elementary school pictures	1,781	0	1,781	0
Elementary book club	186	0	186	0
Athletic uniforms	0	372	372	0
Total	\$ 87,069	193,598	195,089	85,578

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2007

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Assets:				
Cash and other investments	\$ 3,271	254	848	2,677
Liabilities:				
Due to other groups	\$ 3,271	254	848	2,677

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax		\$ 1,558,501	1,505,041	1,500,142	1,301,036
Tuition		71,744	97,048	83,664	82,026
Other		292,229	271,836	237,375	374,256
State sources		1,579,975	1,602,663	1,464,820	1,389,719
Federal sources		126,530	133,778	106,165	146,322
Total		<u>\$ 3,628,979</u>	<u>3,610,366</u>	<u>3,392,166</u>	<u>3,293,359</u>
Expenditures:					
Instruction:					
Regular instruction		\$ 1,273,126	1,159,799	1,263,162	1,187,384
Special instruction		485,136	491,618	411,429	466,193
Other instruction		378,135	340,554	392,457	366,542
Support services:					
Student services		31,031	57,696	55,533	53,985
Instructional staff services		62,312	65,420	25,097	21,535
Administration services		323,994	335,427	380,622	364,691
Operation and maintenance of plant services		330,843	316,066	294,170	271,571
Transportation services		272,527	200,568	228,497	211,904
Non-instructional programs		19,554	20,641	32,054	23,742
Other expenditures:					
Facilities acquisition		157,535	92,957	54,543	56,246
Long-term debt:					
Principal		135,000	130,000	125,000	130,000
Interest		55,743	59,867	65,268	61,134
AEA flowthrough		110,869	106,737	106,686	108,892
Total		<u>\$ 3,635,805</u>	<u>3,377,350</u>	<u>3,434,518</u>	<u>3,323,819</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Tri-County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri-County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Tri-County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tri-County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tri-County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Tri-County Community School District's financial statements that is more than inconsequential will not be prevented or detected by Tri-County Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Tri-County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

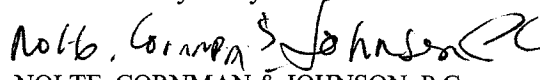
As part of obtaining reasonable assurance about whether Tri-County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tri-County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tri-County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tri-County Community School District and other parties to whom Tri-County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tri-County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2008

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review its procedures.

Conclusion - Response accepted.

- I-B-07 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

There was a student interest account that had a balance remaining at the end of the year. The interest collected during the year should be allocated out to other student activity accounts. The balance remaining at the end of the current year should be allocated out to other activity accounts or an action plan needs to be put in place on how the District plans to spend this balance within the Student Activity Fund.

There was a balance remaining at the end of the year in the elementary library books, shop glasses and padlock resale accounts. These accounts would appear to be more

appropriately run through the General Fund. A transfer should be made to move these balances to the General Fund where these monies can be receipted and expended.

Response - We will allocate the interest appropriately. We will run the listed funds through the General Fund.

Conclusion - Response accepted.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will publish the minutes in a timely manner in the future.

Conclusion - Response accepted.

- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.